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“CORPORATE SOCIAL RESPONSIBILITY IN INDIA: COMPLIANCE, COMMITMENT, AND CHALLENGES”

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INTRODUCTION

Corporate Social Responsibility (CSR) is the ethical requirement of business to make a positive contribution to society as it carries on business activities. CSR is a concept that captures the notion that profit-seeking has to be coupled with responsibility to the environment, society, and moral governance. With increased sensitivity toward sustainability and activism from stakeholders, CSR is now a core component of contemporary corporate strategy. India occupies a special place in the world, being the first nation to make CSR expenditure legally obligatory under the Companies Act, 2013. According to Section 135, those companies with a net worth of ₹500 crore, or turnover of ₹1000 crore, or a net profit of ₹5 crore must spend a minimum of 2% of their average net profits over the last three years on CSR measures. These initiatives should be in tune with Schedule VII of the Act, encompassing education, healthcare, sanitation, women empowerment, and environmental sustainability. The National CSR Portal (csr.gov.in), created by the Ministry of Corporate Affairs (MCA), functions as an open monitoring vehicle, reflecting CSR expenditure, theme of projects, implementing agencies, and geographical distribution. It provides valuable insights into trends, allowing researchers, NGOs, and policymakers to grasp how firms are meeting their CSR requirement. Indian businesses have moved from charity-oriented to strategic CSR, incorporating sustainability and community development into core business operations. Through interventions such as digital literacy, skill development, water conservation, and women's livelihood, CSR has now emerged as a driver for inclusive and equitable growth.

WHAT IS CORPORATE SOCIAL RESPONSIBILITY (CSR)? ²

Corporate Social Responsibility (CSR) means a firm's voluntary commitment to behave in an ethical, sustainable, and socially responsible way. It implies blending social and environmental

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²Harvard business school online, *corporate social responsibility to be aware of*, Har. Bus.Sch. Online Blog(Feb. 10, 2021),<https://online.hbs.edu/blog/post/types-of-corporate-social-responsibility>.

issues into business activities while ensuring profitability. CSR is quite different from philanthropy as it is usually deeply integrated into a firm's core business strategy and long-term objectives, thus generating shared value for the business and society. As per the ISO 26000 standard, CSR refers to an organization's accountability for the social and environmental impact of its actions and operations, undertaken through open, ethical behavior that assists in sustainable development. It implies that companies are not only motivated by profit, but also by their social responsibility toward communities, employees, consumers, and the environment. CSR covers a broad variety of practices—ranging from minimizing carbon emissions and providing fair labor practices to contributing to local education and healthcare programs. By extending beyond legal requirements, businesses that embrace CSR reflect a forward-thinking strategy for long-term value creation and public confidence building. CSR has become a central element of corporate governance and a significant driver of brand image and stakeholder relations in today's global economy.³

TYPES OF CORPORATE SOCIAL RESPONSIBILITY⁴

Corporate Social Responsibility (CSR) refers to a spectrum of ethical and social behaviors that organizations embrace to contribute to society and the environment. CSR has, over time, become a multi-faceted framework, typically divided into four main forms: Environmental Responsibility, Ethical Responsibility, Philanthropic Responsibility, and Economic Responsibility. The types enable organizations to walk the line between profit and purpose, enabling them to generate long-term value for society and stakeholders.

1. Environmental Responsibility

Environmental CSR practices minimize the environmental impact of an organization. As concerns about global warming, pollution, and resource degradation grow, companies are supposed to embrace green policies. Some of these involve:

- Decreasing greenhouse gas emissions
- Conservation of water and energy

³HEC Paris, *what is Corporate Social Responsibility (CSR)?* HEC Paris (APR 2022), <https://www.hec.edu/en/institutes-and-centers-expertise/sustainability-organizations/think/executive-factsheets/what-corporate-social-responsibility-csr>.

⁴IMD, *The Different Types Of CSR: What You Need to Know*, *IMD Sustainability Blog* (Nov.8, 2023), <https://www.imd.org/blog/sustainability/csr-types/>.

- Proper handling of wastes and recycling Renewable energy investments
- Afforestation and biodiversity protection

Example: ITC Ltd's "Mission Sunehra Kal" has water stewardship, climate-smart agriculture, and solid waste management as its areas of focus, thus leading in environmental CSR.

2. Ethical Responsibility

Ethical CSR entails doing business in an ethically correct and transparent way. It comprises fair labor practices, truthful advertising, anti-corruption practices, and human rights respect in the supply chain. Businesses adhering to ethical CSR ensure: No child or forced labor Equal opportunity and non-discrimination Transparent accounting and procurement Customer privacy and data protection Example: Infosys has always been known for its ethical governance norms, transparent disclosures, and equal opportunity policy.

3. Philanthropic Responsibility

This is the most conventional type of CSR, wherein firms give money, resources, or time to charitable organizations. Philanthropic CSR involves: Donating to schools, hospitals, or orphanages Scholarships and education grants Disaster relief Donations to NGOs Although such an approach to CSR is praiseworthy, contemporary models urge businesses to move beyond charity and design sustainable initiatives with quantifiable effect. Example: The Reliance Foundation operates one of India's biggest rural development initiatives in areas of health, education, and women's empowerment.

4. Economic Responsibility

Economic CSR focuses on responsible business practices that add value to the economy while being profitable. It involves: Ethical pricing and fairtrade Investing in job creation and skill building Helping local vendors and SMEs Tax payment and not pursuing aggressive tax avoidance Example: Amul, India's cooperative dairy, empowers rural farmers economically and provides consumers with affordable, quality products.

PRINCIPLES OF CSR⁵

The Government of India's Ministry of Corporate Affairs (MCA) began promoting responsible business through the 2009 Voluntary Guidelines on CSR. These developed into the 2011 National Voluntary Guidelines (NVGs), correlating with the UN Guiding Principles on Business and Human Rights. To better integrate the Sustainable Development Goals (SDGs), the NVGs were amended and re-launched in 2018 as the National Guidelines on Responsible Business Conduct (NGRBC). The NGRBC stipulates nine interdependent principles that frame companies to follow in ethical, sustainable, and socially responsible practices:

National Guidelines on Responsible Business Conduct⁶

- **Principle 1:** Business should operate with honesty, uphold ethical standards, and maintain transparency and accountability in all aspects of their governance.
- **Principle 2:** product and service must be developed and delivered in ways that ensure safety and long-term sustainability.
- **Principle 3:** Business are expected to safeguard and enhance the welfare of their employees, including those within their broader supply and value chains.
- **Principle 4:** Business should consider and respond to the interest of all relevant stakeholder in their operations and decisions.
- **Principle 5:** It is essential for companies to support and actively uphold the fundamental rights of individuals.
- **Principle 6:** companies must act responsibly to preserve, protect, and where possible, restore natural ecosystems.
- **Principle 7:** when participating in policy advocacy or public affairs, business should do so transparently and with accountability.
- **Principle 8:** Enterprises should strive to contribute to inclusive progress and ensure that development benefits are equitably shared.

⁵Inst. Of Company Secretaries of India, *Guidance Note on Corporate Social Responsibility*, ICSI (2020), https://www.icsi.edu/media/webmodules/GN10_Guidance_Note_on_Corporate_Social_Responsibility.pdf.

⁶Inst. Of Company Secretaries of India, *Guidance Note on Corporate Social Responsibility*, 15 (ICSI2020), https://www.icsi.edu/media/webmodules/GN10_Guidance_Note_on_Corporate_Social_Responsibility.pdf.

- **Principle 9:** Business should prioritize consumer well-being by acting fairly, providing value, and being responsive to consumer needs.

HISTORICAL MILESTONES IN INDIA'S CSR DEVELOPMENT ⁷

India's path towards institutionalizing Corporate Social Responsibility (CSR) has been evolutionary, depicting a gradual movement from voluntary ethics to formal regulation. The period from 2007 to 2014 is the movement towards policy intention and legal requirements.

- ❖ 2007 – Inclusive Growth (11th Five Year Plan): The government acknowledged that the GDP growth needs to be inclusive and equitable. CSR was tied with the overall developmental objectives of poverty reduction, education assurance, and environmental sustainability.
- ❖ 2009 – Voluntary Guidelines on CSR: The Ministry of Corporate Affairs (MCA) launched the first voluntary guidelines for urging companies to adopt responsible social conduct. The guidelines emphasized transparency, community building, and environmental stewardship, setting the stage for formal regulation.
- ❖ 2010 – Parliamentary Standing Committee Report on Companies Bill: The 21st Report of the Standing Committee reaffirmed that corporate responsibility has to be more than philanthropy and be inculcated in the very functioning of companies. It suggested CSR disclosures and obligatory provisions, shaping the form of the new Companies Act.
- ❖ 2011 – National Voluntary Guidelines (NVGs): The NVGs were a giant leap towards mainstreaming social, environmental, and economic responsibilities into corporate practices. These guidelines specified nine principles of responsible business conduct that applied to all industries.
- ❖ 2012 – Business Responsibility Reporting (BRR): SEBI required the top 100 listed companies to report Business Responsibility Reports, giving a regulatory fillip to sustainability disclosures. This was a precursor to the CSR mandate under the Companies Act. 2014 – Companies Act, 2013 (Section 135) Becomes Effective: From 1st April, 2014, India took the lead in making CSR law-bound.

⁷Ministry of Corporate Affairs, *History of CSR in India*, Nat'l CSR Portal, <https://www.csr.gov.in/content/csr/global/master/home/aboutcsr/history.html>.

Section 135 mandated companies crossing financial criteria to invest 2% of average profits in CSR and report activities in board reports.

CSR IN INDIA – LEGAL FRAMEWORK AND IMPLEMENTATION⁸

India's Corporate Social Responsibility (CSR) regime is special because it legally requires some companies to invest a fraction of their profits in activities for the good of society. This change of CSR from voluntary to compulsory was enshrined through Section 135 of the Companies Act, 2013, which commenced on April 1, 2014. India is the first nation anywhere in the globe to enact CSR legislation, endowing it with both a legal requirement and an organized system of implementation.

Who are Covered Under Section 135?

Section 135 covers companies (public as well as private, foreign companies having business in India) having any of the following conditions fulfilled in the immediately preceding financial year:

- Net worth of ₹500 crore or more, or
- Turnover of ₹1,000 crore or more, or
- Net profit of ₹5 crore or more

Such companies must:

- Establish a CSR Committee of the Board (at least three directors out of which one should be an independent director).
- Develop and suggest a CSR Policy specifying the activities to be performed. Spend the company, in each financial year, at least 2% of the average of the net profits of the three immediately preceding financial years on CSR initiatives.
- Duly disclose information about CSR initiatives in the Board's Report and place it on the website of the company.

Permitted Activities under Schedule VII Schedule VII of the Act outlines permissible CSR activities. These include:

⁸Ministry of Corporate Affairs, *Legislation for CSR in India, Nat'l CSR Portal*, <https://www.csr.gov.in/content/csr/global/master/home/aboutcsr/> legislation.html.

- Promoting education, including vocational skills Eradicating hunger, poverty, and malnutrition
- Promoting gender equality and women's empowerment Ensuring environmental sustainability
- Protection of national heritage, art, and culture Support to armed forces veterans and disaster relief Contributions to PM CARES and PM National Relief Fund Importantly, activities must be undertaken in project or program mode, and not in the normal course of business.

REPORTING AND TRANSPARENCY MECHANISMS⁹

The Ministry of Corporate Affairs (MCA) has implemented robust monitoring and disclosure standards. The companies are needed to submit an annual CSR report as a part of their Board's Report (Section 134) and need to submit Form CSR-2 electronically, in addition to this.

To make it easier to hold the public accountable and analyze, the National CSR Portal has been instituted, showcasing company-wise and sector-wise CSR spending information.

The portal allows stakeholders—government organizations, NGOs, and the general public—to track the area of spending, topic, and implementation partner of CSR initiatives.

PENAL PROVISIONS AND AMENDMENTS

At first, non-spending under CSR had only reporting requirements ("comply or explain"). But since the Companies (Amendment) Act, 2019, the provision was tightened. Today, the unused CSR funds have to be transferred:

- To a CSR fund (not for an ongoing project), within 6 months from the end of the financial year.
- To a specific CSR account for ongoing projects within 30 days, and utilized within 3 years. Non-compliance may invoke penalties.

⁹Ministry of Corporate Affairs, *History of CSR in India*, Nat'l CSR Portal, <https://www.csr.gov.in/content/csr/global/master/home/aboutcsr/history.html>.

SECTOR WISE ALLOCATION (FY 2022-23)¹⁰

1. SECTOR SHARE	CSR SPEND (CR)
2. EDUCATION 44%	13,209
3. HEALTHCARE & WASH 29%	8,739
4. ENVIRONMENT & CONSERVATION 10%	2,921
5. RURAL DEVELOPMENT 7%	2,005
6. PM RELIEF FUND 3%	815
7. SPORTS 2%	526

CHALLENGES OF IMPLEMENTATION¹¹

In spite of legal support, implementation is hampered by issues such as:

- Lack of impact assessment instruments
- Low quality of NGO implementation
- Prioritization of high-profile urban initiatives over needy rural zones
- A "tick-box" culture by certain firms.

¹⁰Responsetnet, Corporate Social Responsibility (CSR) in India: *Applicability, Laws, Implementation, Amendments, Examples and Updates*, Responsetnet(Oct. 12, 2023), <https://www.responsetnet.org/corporate-social-responsibility-csr-in-india-applicability-laws-implementation-amendments-examples-and-updates/>.

¹¹CyberSWIFT, *Corporate Social Responsibility (CSR): Challenges and Resolutions*, CyberSWIFT Blog (last updated Dec. 26, 2022), <https://www.cyberswift.com/blog/csr-challenges-and-resolutions/>.

CASE STUDY TATA GROUP – INDIA'S CSR PIONEERS¹²

Tata Group is universally acknowledged to be a trailblazer in Corporate Social Responsibility (CSR) in India. Well before CSR became a statutory requirement, the Tatas had integrated philanthropy and ethical business practices in their corporate fabric. Established in the 19th century, the group's dedication to social good has run deeply through its DNA of "leadership with trust."

CSR Focus Areas:

Education: Tata Trusts promote top-notch institutions such as the Indian Institute of Science (IISc), Tata Institute of Social Sciences (TISS), and Tata Medical Center. Scholarships like the JN Tata Endowment have enabled thousands of Indian students to pursue education abroad.

Healthcare: Tata Memorial Hospital, India's premier cancer research facility, provides economically weaker sections with subsidized care. In the time of COVID-19, the group pledged ₹1,500 crore for test kits, protective gear, and community relief.

Rural Development: The group operates through Tata Chemicals Society for Rural Development and other associates in water conservation, sanitation, skill development, and crop productivity in more than 5,000 villages.

Sustainability: Tata Power's "Club Enerji" program is an energy conservation and environmental awareness program targeted among school children.

Impact and Recognition:

Tata Group is recognized for investing 66% of its profits in philanthropic activities through Tata Trusts, a distinctive model worldwide. Their CSR expenditure always surpasses the 2% requirement under Section 135 of the Companies Act. Through integrating business growth with social benefit, the Tata Group sets a model for strategic and sustainable CSR, illustrating the usage of corporate influence for national progress.

¹²S.K. Tripathi et al., *Corporate Social Responsibility and Business Sustainability: A Study of Tata Group*(2024), <https://pdfs.semanticscholar.org/bbe3/fbfc1d7a178fbf97069f500731254e2b2488.pdf#:~:text=The%20analysis%20of%20the%20Tata%20Group%20offers%20an,business%20sustainability%20%28Tripathi%20S.%20K%20et%20al%202024%29.>

CASE STUDY: INFOSYS FOUNDATION – STRATEGIC GIVING THROUGH INNOVATION¹³

The philanthropic division of Infosys Ltd., Infosys Foundation, reflects the vision of inclusive growth and corporate citizenship of the company. Founded in 1996, the Foundation aims at using technology, innovation, and partnerships to cause social change.

Key CSR Domains:

- **Education:** Infosys Foundation has established more than 70,000 libraries throughout India, primarily in rural schools that lack resources. It offers financial assistance for education in the fields of STEM and scholarship to poor students.
- **Healthcare:** It finances the establishment of hospitals and wards in the rural and urban regions, such as the Infosys Foundation hospitals in Karnataka. It has also invested in cancer treatment centers, mental health initiatives, and maternity units.
- **Rural Development:** With its efforts in sanitation, drinking water supply, and infrastructure (such as constructing roads and toilets), it has enhanced the standard of living in more than 2,000 villages.
- **Culture & Heritage:** It encourage Indian art and literature actively by patronizing writers, musicians, and saving heritage sites. It supports translations of regional literature and classical dance and music festivals.
- **Disaster Relief:** Infosys Foundation has been a first responder in natural disasters like floods, earthquakes, and the COVID-19 pandemic by contributing funds, medical supplies, and food grains.

Leadership and Impact:

Infosys Foundation, led by Sudha Murty, is renowned for its transparent functioning, grassroots-level collaborations, and direct involvement with people. The organization also assures compliance with the Companies Act, publishing its CSR reports on a regular basis and maintaining optimum levels of accountability. Infosys is an example of new CSR where

¹³ Aneesha Saxena & Vinod Kumar Pandey, *A study of Corporate Social Responsibility: Infosys Limited* (Mar- Apr 2024), <https://www.ijfmr.com/papers/2024/2/14690.pdf>.

technology, compassion, and accuracy come together to make philanthropy measurable and effective.

CASE STUDY: STARBUCKS AND HEALTHCARE¹⁴

Starbucks has earned a solid reputation as a firm that is serious about its Corporate Social Responsibility (CSR), which it delineates in clear terms on its official websites. It incorporates social responsibility into its own core values by imposing very strict ethical conduct, such as strong anti-bribery policies and a workplace culture focused on fairness and equal opportunity employment.

One of Starbucks' most significant CSR contributions is the healthcare benefits it provides to its workers. Beyond mere legal necessities, Starbucks gives its employees full health coverage with dental, vision, and mental health care, with the health and wellbeing of employees undoubtedly at the forefront of priorities. This forward-thinking attitude towards employee welfare makes the company stand out among other food and beverage companies globally.

Apart from the welfare of employees, Starbucks is also committed to ethical sourcing methods like responsible supply chain management. Their policies cover significant environmental issues like deforestation and animal welfare, and they follow a strict no-tolerance policy on child and prison labor. These initiatives ensure that ethical considerations are incorporated at every step in their procurement and operations.

Starbucks is also involved in community development. Through the Starbucks Foundation, it aids different nonprofit organizations. It also does something about food insecurity through initiatives such as FoodShare, giving away unsold meals to those who cannot afford them, fighting hunger at a local level.

To provide accountability and transparency, Starbucks tracks, records, and publicly reports its CSR initiatives. It releases yearly environmental and social impact reports, which are available for the public to access. The company also goes through independent audits to assess the effectiveness and integrity of its CSR efforts.

¹⁴MBA Knol, Case Study: *Corporate Social Responsibility of Starbucks*, MBA Knol
(n.d.)<https://www.mbaknol.com/management-case-studies/case-study-corporate-social-responsibility-of-starbucks/>.

As a whole, Starbucks shows a holistic and open-minded way of doing CSR, as it integrates ethical labor, environmental stewardship, healthcare benefits, and community outreach to achieve its goal of making a positive difference in the world.

CONCLUSION

Corporate Social Responsibility (CSR) in India has progressed from charitable voluntarism to legal and strategic requirement under the Companies Act, 2013. It manifests an increasing awareness that companies need to play a part in social, economic, and environmental progress. CSR has evolved over the years, with companies increasingly emphasizing education, healthcare, environmental stewardship, and rural development. Still, CSR expenditure is uneven geographically and by sectors. States such as Maharashtra and Karnataka get most of the funds, while less developed areas like the Northeast are ignored. Additionally, sectors such as women empowerment and cultural conservation remain under-funded. Case studies of the Tata Group and Infosys Foundation detail how socially responsible businesses weave CSR into their DNA, extending beyond compliance to drive actual change. Their initiatives in healthcare, education, rural development, and disaster response are models for other corporates. The future of CSR is in strategic deployment, digital openness, and harmony with the Sustainable Development Goals (SDGs). By balancing purpose and profit, CSR can fuel inclusive growth and social fairness. CSR can only be effective if it is driven by long-term vision, innovation, and passion for creating a better society for everyone.